

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BILL ANALYSIS**

<u>Senate Bill 1137</u>	Senator Burton (As amended 3/26/04)
<u>Position:</u>	No Position
<u>Proponents:</u>	CRTA, ART, CFT (Co-Sponsors), California Seniors Coalition
<u>Opponents:</u>	Department of Finance

SUMMARY

Senate Bill 1137 requires the retired member seat on the Teachers' Retirement Board (Board), currently appointed by the Governor, be elected by retired members of the Defined Benefit (DB) Program, members receiving a disability allowance and participants of the Cash Balance (CB) Benefit Program receiving an annuity, to a 4-year term commencing January 1, 2006.

HISTORY

AB 311 (Honda—2000) would have expanded the Board from 12 to 15 members and required the three additional Board members to be elected by the California State Teachers' Retirement System (CalSTRS) members of the group to which they belong. The Governor vetoed this bill.

Seven earlier legislative proposals dating back to 1988 would have required that the four “teacher” members of the Board be elected from their respective constituencies rather than appointed by the Governor.

Chapter 1049, Statutes of 2002 (SB 1580—Burton) required the three members of the Board who were appointed by the Governor to represent active members and participants of CalSTRS to be elected by the active membership. It also removed the requirement that the Governor select his or her appointees to specified seats on the Board from a list provided by the Superintendent of Public Instruction (SPI) and the Board of Governors (BOG) of California Community Colleges, and instead allowed the Governor to choose his or her own appointees, subject to Senate approval.

Chapter 11, Statutes of 2004 (AB 419—PER&SS), clarified and made technical changes to the provisions of Chapter 1049 to allow active participants in the CB Benefit Program to vote in elections for both K-12 active member seats on the Board; specify that candidates must run for the seat in which they accrued the most service during the prior school year; extend reimbursement provisions to elected Board members; specify the length of the first terms for the three Board members representing the public; and declare the Legislature’s intent that member representatives elected to the Board be subject to provisions of the Political Reform Act.

RECENT AMENDMENTS

The March 26 amendments affect only those provisions that contained conforming language designed to prevent chaptering-out conflicts with Chapter 11, Statutes of 2004, which was signed by the Governor and became effective as an urgency measure after the introduction of SB 1137. The substantive text of SB 1137, as amended, remains unchanged.

CURRENT PRACTICE

CalSTRS provides retirement, disability, and survivor benefit programs for approximately 725,000 active and retired teachers and other credentialed employees in California's K-12 public schools and community colleges. The 12-member Board administers the CalSTRS DB Program and the CB Benefit Program and oversees the investments of the approximately \$117 billion Teachers' Retirement Fund.

Prior to January 1, 2004, two members of the Board were required to be CalSTRS members who were K-12 classroom teachers. Another member of the Board was required to be a community college instructor with expertise in business or economics. The Governor was also required to appoint to the Board a school board member or community college trustee, and a retired member of the System. The Governor appointed all these members to four-year terms from a list submitted by the SPI or by the BOG, respectively.

In addition, one member of the Board was required to be an officer of a life insurance company and another member was an officer of a bank or savings and loan institution. An eighth member of the Board represented the public. The Governor appointed these three members to four-year terms, subject to confirmation by the Senate. The four remaining members of the Board, the Director of the Department of Finance, the SPI, the Controller and the Treasurer, sit on the Board by virtue of their office.

As a result of the passage of Chapter 1049, Statutes of 2002, and Chapter 11, Statutes of 2004:

- One of the two existing K-12 seats became occupied by an active CalSTRS member employed by a K-12 school district or COE who is not an administrator. This member of the Board is elected by all K-12 and COE employees who are active members of the DB Program or active participants of the CB Benefit Program.
- One of the two existing K-12 seats became occupied by an active CalSTRS member employed by a K-12 district or COE. This member of the Board is elected by all K-12 and COE employees who are active members of the DB Program or active participants of the CB Benefit Program.

- The community college seat became occupied by an active CalSTRS member employed as a community college instructor. This member of the Board is elected by all community college employees who are active members of the DB Program or active participants of the CB Benefit Program.
- The Banking and Insurance representatives to the Board were converted into public representative seats appointed by the Governor and subject to confirmation by the Senate.
- The retired member and employer governing board representatives continue to be appointed by the Governor, although they are no longer appointed from a list submitted by the SPI, their appointments are now subject to confirmation by the Senate.

DISCUSSION

Senate Bill 1137 requires the retired member seat on the Board be elected by retired members of the DB Program and those receiving a disability allowance, as well as participants of the CB Benefit Program receiving an annuity, to a 4-year term, beginning January 1, 2006.

If this measure were enacted, approximately 170,000 retired and disabled members of the DB Program and participants of the CB Benefit Program receiving an annuity would be eligible to elect their own representative to the Board.

FISCAL IMPACT

Benefit Program Costs – None

Administrative Costs – Based on the recently held CalSTRS K-12 election, the estimated cost to prepare and distribute the notice of elections, test and print ballots, print outer envelopes, print candidate statements and return envelopes, and counting and tabulating returned ballots, to conduct an election for one seat in the fall of 2005 would be approximately \$100,000. This would be paid from the Teachers' Retirement Fund. Comparable costs would be incurred every four years.

BOARD POSITION

No Position – Under the Board's existing legislative policy, the Board does not take positions on legislation affecting its selection or composition.